

DATE: October 26, 2006

TO: CVRC Board of Directors
The Honorable Chair and Redevelopment Agency Members

VIA: Jim Thomson, Interim Chief Executive Officer *JT*

FROM: Ann Hix, Acting Director of Community Development *AH*
Eric Crockett, Redevelopment Manager *@*

SUBJECT: Appropriation of Redevelopment Agency Tax Increment Funds to Reimburse the Redevelopment Agency's Low and Moderate Income Housing Fund for Agency Property Located within the Lower Sweetwater Valley.

Project Area:	Merged Chula Vista Redevelopment Project Area (Added Area)
Project Site:	Lower Sweetwater Valley
Project Description:	Appropriation of funds – 4/5 Vote of Agency Required

BACKGROUND:

In 1986, the Redevelopment Agency of the City of Chula Vista purchased 14.3 acres of land located in the Lower Sweetwater Valley using its Low and Moderate Income Housing Funds. California Health and Safety Code Section 33334.16 stipulates that if an Agency uses its Housing Fund to acquire property, it must develop that property for affordable housing within five years of the purchase date. Since acquisition, several development proposals for the site have been received, but past attempts to develop the site failed due to the location of the property, financial infeasibility, and issues related to open space/park lands. In order to comply with State law, staff recommends that Agency Tax Increment funds be allocated to replenish the Agency's Low and Moderate Income Housing Fund for this expenditure.

Staff is recommending the repayment in the amount of \$290,687 to the Low and Moderate Income Housing Fund. This amount reflects the total acquisition cost when originally purchased, \$166,107, plus 5 percent interest since 1991, when the Agency's five-year time limit to develop affordable housing on the site expired.

RECOMMENDATION:

Staff recommends that:

- a) The Chula Vista Redevelopment Corporation adopt a resolution recommending that the Chula Vista Redevelopment Agency authorize the repayment of those Low and Moderate Income Housing Funds used to acquire real property within the Lower Sweetwater Valley area from the Redevelopment Agency's Merged Project Fund in the amount of \$290,687.
- b) The Redevelopment Agency of the City of Chula Vista adopt a resolution authorizing the repayment of those Low and Moderate Income Housing Funds used to acquire real property within the Lower Sweetwater Valley area from the Redevelopment Agency's Merged Project Fund in the amount of \$290,687, and appropriating funds therefore.

DISCUSSION:

In 1986, the Redevelopment Agency purchased two parcels (APN numbers 563-350-1300 and 566-131-0100), totaling 14.3 acres of land located in the Lower Sweetwater Valley, adjacent to the KOA Campground, as shown on the site map in Attachment 1. These parcels were purchased for a total cost of \$166,107 with the Agency's Low and Moderate Income Housing Funds. The properties were acquired for the purpose of developing affordable housing on the site.

Despite several development proposals for the site, development has proven difficult in the past given the site's location, and concerns raised from surrounding residents regarding open space/park lands. To date, the properties remain undeveloped, leaving the Agency in noncompliance with the California Community Redevelopment Law for the acquisition of real property using Low and Moderate Income Housing Funds.

California Community Redevelopment Law

Section 33334.16 of the California Health and Safety Code provides that within five years from the date the Agency acquires real property using monies from the Low and Moderate Income Housing Fund, it shall initiate activities consistent with the development of affordable housing. In the event that development of the property for the intended purpose has not begun within the allowed timeframe, the Agency's Low and Moderate Income Housing Fund must be reimbursed for the expenditure less any costs that may be associated from the disposition of the property.

Compliance with California Community Redevelopment Law (CRL)

Staff is recommending that the Agency allocate funds from its general Tax Increment Revenue to replenish the Low and Moderate Housing Funds used for the purchase of these properties. This will bring the Agency into compliance with Section 33334.16 and demonstrate its good faith effort to rectify this issue.

Additionally, the Agency will be able to maintain ownership of the parcels, and will have no time limit on the disposition or development of the land. Maintaining Agency ownership will allow the Agency to have control over future development of the site, ensuring that development will be in line with the City's redevelopment goals. The use of Redevelopment Agency funds to reimburse the Agency's Low and Moderate Income Housing Fund will continue to further the goals of redevelopment as stated in the Merged Chula Vista Redevelopment plan.

DECISION MAKER CONFLICTS:

Staff has reviewed the property holdings of the CVRC/RDA Directors and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action.

FISCAL IMPACT:

To replenish the Agency's Low and Moderate Income Housing Fund and immediately bring the Agency into compliance with the California Health and Safety Code, a total of \$290,687 from the available balance of the Merged Project Fund must be appropriated to repay the Low and Moderate Income Housing Fund. The total amount is based on the total acquisition cost when the parcels were originally purchased, \$166,107, plus 5 percent simple interest since 1991, when the Agency's five-year time limit to develop affordable housing on the site expired. The interest rate is based on the annual average interest rate from the State Treasurer's Local Agency Investment Fund for the period July 1991 to July 2006.

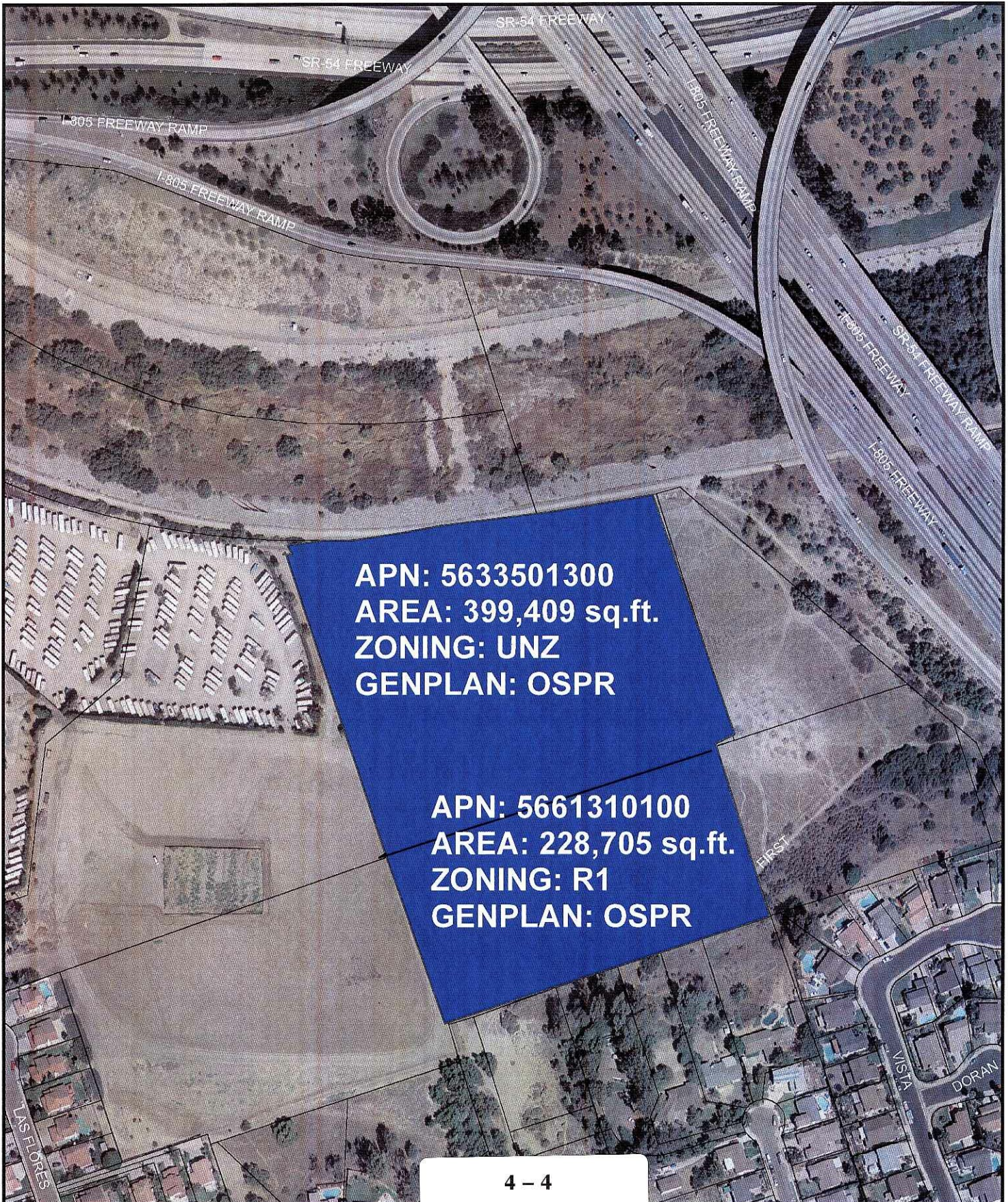
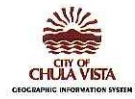
ATTACHMENTS:

1. Site Map

PREPARED BY: Leilani Hines, Senior Community Development Specialist
Sarah Johnson, Community Development Specialist

Lower Sweetwater Valley Site

Owner: Redevelopment Agency



CVRC RESOLUTION NO. 2006-xxx

RESOLUTION OF THE CHULA VISTA REDEVELOPMENT CORPORATION RECOMMENDING THAT THE CHULA VISTA REDEVELOPMENT AGENCY AUTHORIZE THE REPAYMENT OF THOSE LOW AND MODERATE INCOME HOUSING FUNDS USED TO ACQUIRE REAL PROPERTY WITHIN THE LOWER SWEETWATER VALLEY AREA FROM THE REDEVELOPMENT AGENCY'S MERGED PROJECT FUND IN THE AMOUNT OF \$290,687.

WHEREAS, the Redevelopment Agency of the City of Chula Vista (the "Agency") is a public body, organized under the California Community Redevelopment Law (California Health and Safety Code Sections 33000 et seq.); and

WHEREAS, in 1986, the Agency purchased two parcels of land, APN 563-35-1300 and 566-31-0100, located within the Lower Sweetwater Valley area and the Agency's Merged Chula Vista Redevelopment Project Area (the "Agency Property") with Low and Moderate Income Housing Funds for the purpose of providing affordable housing; and

WHEREAS, California Health and Safety Code Section 33334.16 requires the Agency to initiate activities within five years of acquiring an interest in real property consistent with the development of housing for Low and Moderate Income households; and

WHEREAS, the Agency has received and worked on several development proposals for the site, but past attempts to develop the site failed due to the location of the property, financial infeasibility, and issues related to open space/park lands; and

WHEREAS, the Agency has not successfully initiated actions consistent with the development of affordable housing on that Agency property within the prescribed time period because of access issues and concerns from surrounding property owners and residents; and

WHEREAS, to comply with the requirements of California Redevelopment Law regarding the initiation of development of affordable housing on real property purchased with Low and Moderate Income Housing Funds the Agency now seeks to reimburse the Low and Moderate Income Fund; and

WHEREAS, the Agency may retain ownership of the Agency Property by repayment of the Low and Moderate Income Housing Fund with general Tax Increment funding; and

WHEREAS, the Agency desires to retain ownership of the Agency Property until it can appropriately dispose of such property in a manner that meets the goals of the Agency as set forth in the Agency's Amended and Restated Redevelopment Plan for the Merged Chula Vista Redevelopment Project Area; and

WHEREAS, the Agency Property was purchased in 1986 for a total of \$166,107, including the sales price plus all associated acquisition fees; and

WHEREAS, fifteen years have elapsed since the five year time period from the acquisition of the Agency Property to its development (1991); and

WHEREAS, the Agency has determined that it is appropriate to repay the Low and Moderate Income Fund the original purchase price of the Agency Property (\$166,107) and compounded annual interest based on the annual average interest rate from the State Treasurer's Local Agency Investment Fund since 1991 (\$124,580).

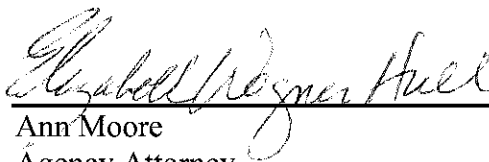
NOW, THEREFORE, THE CHULA VISTA REDEVELOPMENT CORPORATION DOES RESOLVE AS FOLLOWS:

1. The Chula Vista Redevelopment Corporation (the "CVRC") hereby finds that the use of funds from the Agency's Merged Project Fund for the acquisition of real property for purposes of redevelopment will continue to be of benefit to the Agency's redevelopment project areas, and will continue to further the goals of redevelopment as stated in the Merged Chula Vista Redevelopment Plan; and
2. The CVRC hereby recommends that the Agency approve the payment of \$290,687 from the Agency's Merged Project Fund to reimburse the Low And Moderate Income Housing Fund for the acquisition of the two parcels of land, APN 563-35-1300 and 566-31-0100, referred to herein as Agency Property; and
3. The CVRC hereby recommends that the Agency appropriate \$290,687 from the unappropriated balance in the Merged Project Fund for the repayment of the Low And Moderate Income Housing Fund for those expenditures and accrued interest resulting from the Agency's acquisition of the Agency Property.

PRESENTED BY

Ann Hix
Assistant Director of Community
Development

APPROVED AS TO FORM BY



Ann Moore
Agency Attorney

RDA RESOLUTION NO. 2006-xxx

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA AUTHORIZING THE REPAYMENT OF THOSE LOW AND MODERATE INCOME HOUSING FUNDS USED TO ACQUIRE REAL PROPERTY WITHIN THE LOWER SWEETWATER VALLEY AREA FROM THE REDEVELOPMENT AGENCY'S MERGED PROJECT FUND IN THE AMOUNT OF \$290,687.

WHEREAS, the Redevelopment Agency of the City of Chula Vista (the "Agency") is a public body, organized under the California Community Redevelopment Law (California Health and Safety Code Sections 33000 et seq.); and

WHEREAS, in 1986, the Agency purchased two parcels of land, APN 563-35-1300 and 566-31-0100, located within the Lower Sweetwater Valley area and the Agency's Merged Chula Vista Redevelopment Project Area (the "Agency Property") with Low and Moderate Income Housing Funds for the purpose of providing affordable housing; and

WHEREAS, California Health and Safety Code Section 33334.16 requires the Agency to initiate activities within five years of acquiring an interest in real property consistent with the development of housing for Low and Moderate Income households; and

WHEREAS, the Agency has received and worked on several development proposals for the site, but past attempts to develop the site failed due to the location of the property, financial infeasibility, and issues related to open space/park lands; and

WHEREAS, the Agency has not successfully initiated actions consistent with the development of affordable housing on that Agency property within the prescribed time period because of access issues and concerns from surrounding property owners and residents; and

WHEREAS, to comply with the requirements of California Redevelopment Law regarding the initiation of development of affordable housing on real property purchased with Low and Moderate Income Housing Funds the Agency now seeks to reimburse the Low and Moderate Income Fund; and

WHEREAS, the Agency may retain ownership of the Agency Property by repayment of the Low and Moderate Income Housing Fund with general Tax Increment funding; and

WHEREAS, the Agency desires to retain ownership of the Agency Property until it can appropriately dispose of such property in a manner that meets the goals of the Agency as set forth in the Agency's Amended and Restated Redevelopment Plan for the Merged Chula Vista Redevelopment Project Area; and

WHEREAS, the Agency Property was purchased in 1986 for a total of \$166,107, including the sales price plus all associated acquisition fees; and

WHEREAS, fifteen years have elapsed since the five year time period from the acquisition of the Agency Property to its development (1991); and

WHEREAS, the Agency has determined that it is appropriate to repay the Low and Moderate Income Fund the original purchase price of the Agency Property (\$166,107) and compounded annual interest based on the annual average interest rate from the State Treasurer's Local Agency Investment Fund since 1991 (\$124,580).

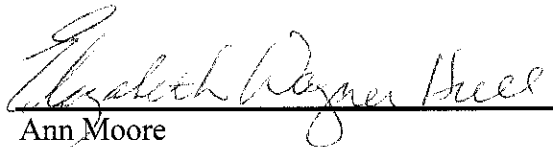
NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF CHULA VISTA DOES RESOLVE AS FOLLOWS:

1. The Agency hereby finds that the use of funds from the Agency's Merged Project Fund for the acquisition of real property for purposes of redevelopment continue to be of benefit to the Agency's redevelopment project areas, and will continue to further the goals of redevelopment as stated in the Merged Chula Vista Redevelopment Plan; and
2. The Agency hereby approves the payment of \$290,687 from the Agency's Merged Project Fund to reimburse the Low And Moderate Income Housing Fund for the acquisition of the two parcels of land, APN 563-35-1300 and 566-31-0100, referred to herein as Agency Property; and
3. The Agency hereby appropriates \$290,687 from the unappropriated balance in the Merged Project Fund for the repayment of the Low And Moderate Income Housing Fund for those expenditures and accrued interest resulting from its acquisition of the Agency Property.

PRESENTED BY

Ann Hix
Assistant Director of Community
Development

APPROVED AS TO FORM BY



Ann Moore
Agency Attorney